

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name <b>SAGINAW COUNTY ROAD COMMISSION</b>	County <b>SAGINAW</b>
Fiscal Year End <b>09/30/07</b>	Opinion Date <b>01/31/08</b>	Date Audit Report Submitted to State <b>02/11/08</b>	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

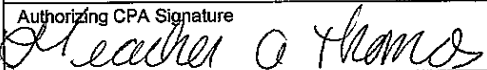
YES  
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	NO ISSUES TO REPORT THIS YEAR	
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) <b>GARDNER, PROVENZANO, SCHAUMAN &amp; THOMAS, P.C</b>		Telephone Number <b>989-790-3900</b>	
Street Address <b>4855 STATE STREET SUITE SIX</b>		City <b>SAGINAW</b>	State <b>MI</b>
		Zip <b>48603</b>	
Authorizing CPA Signature 		Printed Name <b>HEATHER A. THOMAS</b>	License Number <b>1101024719</b>

**SAGINAW COUNTY ROAD COMMISSION  
SAGINAW, MICHIGAN  
FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

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# Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner  
Giacamo Provenzano  
James R. Schauman  
Heather A. Thomas

## INDEPENDENT AUDITOR'S REPORT

January 31, 2008

Members of the Board  
of County Road Commissioners  
of Saginaw County  
Saginaw, Michigan

We have audited the accompanying financial statements of the governmental activities of the Saginaw County Road Commission, a component unit of Saginaw County, as of and for the year ended September 30, 2007, which comprise the Road Commission's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Saginaw County Road Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Saginaw County Road Commission as of September 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Members of the Board  
of County Road Commissioners  
of Saginaw County  
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2008, on our consideration of the Saginaw County Road Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The additional supplemental information is presented for purposes of additional analysis and is not a required part of basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements of Saginaw County Road Commission and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

*Gardner, Provenzano, Schauman & Thomas, P.C.*  
Certified Public Accountants

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

SAGINAW COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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**INTRODUCTION**

The Saginaw County Road Commission (SCRC) is a special purpose government engaged in a single government program of road and bridge maintenance and construction in the County of Saginaw, Michigan. The adoption of GASB-34 in FY03 changed the SCRC financial statement presentation. In the past, governmental entities were required to report financial information only on the modified accrual accounting method. The modified accrual method of accounting focuses on current available resources and is referred to as governmental fund level accounting. Now, in addition to the governmental fund level information, governmental entities are also required to report financial information on the full accrual method of accounting. The full accrual method of accounting focuses on the entity as a whole and is referred to as government-wide level accounting. For SCRC, the most significant differences between the governmental fund statements and the government-wide statements relate to capital assets (buildings and equipment) and infrastructure (roads, bridges, and signals). Capital assets and infrastructure are not recognized as assets and are not capitalized at the governmental fund level.

As allowed for single purpose governments, the Statements of Net Assets and the Statement of Activities, the fund level financial statements and the government-wide financial statements have been combined and are presented on the same page.

The audited financial activities of SCRC are presented herein. These statements include the following:

- Statement of Net Assets and Governmental Fund Balance Sheet,
- Reconciliation of the Balance Sheet Fund Balance to the Statement of Net Assets,
- Statement of Activities and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance, and
- Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.

SAGINAW COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

**CONDENSED FINANCIAL STATEMENTS**

The following are condensed government-wide financial statements for SCRC.

**Condensed Statement of Net Assets**

	Assets	2007	2006
Current		\$ 11,642,112	\$ 10,473,207
Capital assets		146,390,346	143,813,900
Total Assets		<u>\$ 158,032,458</u>	<u>\$ 154,287,107</u>
	Liabilities		
Current		\$ 945,997	\$ 1,277,973
Long-term liabilities		557,786	653,950
Total Liabilities		<u>\$ 1,503,783</u>	<u>\$ 1,931,923</u>
	Net Assets		
Restricted		\$ 10,138,329	\$ 8,541,284
Invested in capital assets - net of related debt		146,390,346	143,813,900
Total Net Assets		<u>\$ 156,528,675</u>	<u>\$ 152,355,184</u>

**Condensed Statement of Activities**

	Revenue	2007	2006
Federal and State Revenue		\$ 17,339,365	\$ 18,927,216
Contributions from Local units		2,564,102	2,302,041
Other, including charges for services		2,230,453	3,091,712
Total Revenue		<u>22,133,920</u>	<u>24,320,969</u>
	Expenses		
Primary preventive/routine maintenance		3,247,918	3,382,241
Local preventive/routine maintenance		5,916,474	5,384,803
Depreciation		7,444,880	7,260,271
Administrative		935,122	1,023,788
Other		416,035	714,417
Total Expenses		<u>17,960,429</u>	<u>17,765,520</u>
Change In Net Assets		<u>\$ 4,173,491</u>	<u>\$ 6,555,449</u>

**FINANCIAL ANALYSIS OF THE COMMISSION AS A WHOLE**

The total net assets increased by \$4,173,491 during FY2007. The net assets and changes in net assets are summarized below.



SAGINAW COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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**FINANCIAL ANALYSIS OF THE COMMISSION AS A WHOLE (cont.)**

**Net Assets**

Restricted net assets are those net assets that have constraints placed on them by either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in the legislation. As such all assets (except for assets invested in capital assets, net of related debt) are considered restricted.

The restricted net assets increased by \$1,597,045 during 2007. The primary reason for the increase was many local projects planned for completion in the year ended September 30, 2007, were not completed until the first quarter of the next year. Also, up to six positions remained vacant during the course of the year due to budget constraints.

The investment in capital assets, net of related debt increased by \$2,576,446. The increase in net assets is primarily the result of the reporting additional investment in capital assets in the amount of \$11,235,482 for the year 2007. The depreciation for the current year's infrastructure additions will be recognized in the subsequent year.

**THE ROAD COMMISSION'S FUND**

The Road Commission's general operations fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the County which are earmarked by law for road and highway purposes.

During FY2007, the General Fund balance increased by \$1,500,881 or 16% of the beginning General Fund balance. A major component of the increase is due to the modification of Federal/State projects and the postponement of local projects. It is also due to vacancy of up to six positions during the course of the fiscal year.

Management believes that the General Fund balance provides sufficient working capital to support future operations of SCRC.

SAGINAW COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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**BUDGET**

The SCRC budget is prepared in accordance with state law using the modified accrual accounting basis. This is the same accounting basis used for the General Fund.

**ORIGINAL BUDGET VERSUS AMENDED BUDGET**

The 2007 budget was adopted in September 2006. The budget is reviewed periodically and amended as information becomes available or management's plans change. The amended budget for revenue and other financing sources was decreased by \$4,462,482. This decrease is due mainly to the deletion of the proceeds from sale of bonds and the increase in private source contributions. The following is an explanation of these two items:

Proceeds from Sale of Bonds: At the time of the original budget, management was looking into purchasing property in St. Charles to house the administration department, all mechanics, and combine the Hemlock and Chesaning Garages. At the time of the final amended budget, management's plans had changed and the building was no longer going to be purchased.

Private Source Contributions: With the new GASB-34 rules, we are required to report the roads in subdivisions that are built by developers and then accepted by us for maintenance purposes as private contributions. At the beginning of the year, no data is available to inform us of the value of subdivisions to be built over the course of the fiscal year; therefore only the contribution for the Wieneke Road project from a private source in the amount of \$160,000 was budgeted. We amended the budget to reflect estimated contributions of \$1,430,000 which includes the amount for the Wieneke Road project and estimated subdivision contributions.

Total budgeted expenditures decreased from the original budget to the amended budget by approximately \$5,140,719. This decrease is due to a combination of both increases and decreases as follows:

Construction/Capacity Improvements: The increase of \$1,410,863 was mainly due to recording of the value of the subdivisions donated by developers. The remainder was due to increased costs relating to the Burt over Flint River project and also due to additional carryover amounts on the Dixie @ Junction project.

SAGINAW COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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**ORIGINAL BUDGET VERSUS AMENDED BUDGET (cont).**

Capital Outlay-Net: The decrease of \$5,800,000 is due to the deletion of the \$5,500,000 for the St. Charles Property and \$500,000 for a salt shed in the Saginaw/Kochville area. The St. Charles Property was purchased by another individual, and the purchase of the property and salt shed in the Saginaw/Kochville area has been postponed to the following fiscal year.

Debt Service: The decrease of \$550,000 is due to the deletion of purchasing the St. Charles property.

**AMENDED BUDGET VERSUS ACTUAL**

The actual revenue exceeded the final amended budget by \$516,062. There are no significant variances that management feels are necessary to report.

The actual expenditures were less than the final amended budget by \$2,255,762. Significant variances are as follows:

Preservation/Structural Improvements: The variance of \$1,952,054 was mainly due to the Towerline project anticipated to be completed in FY2007. This project was carried over to the 1<sup>st</sup> quarter of FY2008.

Equipment-Net: Management does their best in estimating the revenue received from charges of equipment used during the year. Since the amount of revenue is unknown due to the high use of equipment during the last few months of the fiscal year (construction season), the amount of net equipment expense is simply an educated guess. The variance of \$633,310 is mainly due this FY to the decreased direct expense costs. This is attributed to more projects completed through contracts with MDOT versus our own manpower.

**CAPITAL ASSETS**

SCRC has capital assets for full accrual accounting purposes, net of accumulated depreciation, of \$146,390,349, which is an increase of \$2,576,446. This information, which includes infrastructure, is summarized below.

SAGINAW COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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**CAPITAL ASSETS (cont).**

	2007	2006
Land and improvements	\$ 33,744,124	\$ 32,518,142
Buildings and improvements	2,652,340	2,538,656
Road equipment	11,931,614	11,599,743
Other equipment	1,019,759	965,472
Infrastructure assets	208,709,877	199,837,764
Total Capital Assets	258,057,714	247,459,777
Accumulated Depreciation	(111,667,368)	(103,645,877)
Net Capital Assets	\$ 146,390,346	\$ 143,813,900

Additional information regarding capital assets is located in the notes to the financial statements.

**Long-Term Debt**

At year-end, the SCRC's long-term debt consisted of compensated absences (accumulated sick and vacation pay) in the amount of \$557,786. More detailed information about the SCRC long-term debt is located in the notes to the financial statements.

**OTHER**

Management is not aware of any currently known facts, decisions, or conditions expected to have a significant effect on next year and beyond on the SCRC financial condition. However, the Saginaw County Road Commission is looking into the purchasing of land and related salt barn, and possibly a new maintenance garage.

**CONTACTING THE SAGINAW COUNTY ROAD COMMISSION'S  
MANAGEMENT**

This financial report is intended to provide our citizens and customers with a general overview of the Saginaw County Road Commission's finances and to show the Saginaw County Road Commission's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Director of Finance and Benefits at 3020 Sheridan Avenue, Saginaw, MI 48601.

## **BASIC FINANCIAL STATEMENTS**

SAGINAW COUNTY ROAD COMMISSION  
STATEMENT OF NET ASSETS AND  
GOVERNMENTAL FUND BALANCE SHEET  
SEPTEMBER 30, 2007

	General Fund	Adjustments	Statement of Net Assets
<b>ASSETS</b>			
Cash	\$ 90,405	\$ -	\$ 90,405
Investment	7,106,660	-	7,106,660
Accounts Receivable			
State Transportation Department	2,283,043	-	2,283,043
Sundry	1,967	-	1,967
Cities, Townships and Villages	1,329,705	-	1,329,705
Interest	72,970	-	72,970
Inventories			
Equipment materials and parts	138,958	-	138,958
Road materials	326,989	-	326,989
Prepaid expense	291,415	-	291,415
Capital assets, net of accumulated depreciation	-	146,390,346	146,390,346
Total Assets	<u>\$ 11,642,112</u>	<u>\$ 146,390,346</u>	<u>\$ 158,032,458</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 569,327	\$ -	\$ 569,327
Accrued liabilities	111,055	-	111,055
Deposits	209,071	-	209,071
Due to former employees	23,884	-	23,884
Due to State of Michigan	28,708	-	28,708
Deferred revenues	3,952	-	3,952
Compensated absences-due in more than one year	-	557,786	557,786
Total Liabilities	<u>945,997</u>	<u>557,786</u>	<u>1,503,783</u>
<b>FUND BALANCE/NET ASSETS</b>			
Fund Balances:			
Restricted for County Roads	10,696,115	(10,696,115)	-
Total Fund Balance	10,696,115	(10,696,115)	-
Total Liabilities and Fund Balance	<u>\$ 11,642,112</u>		
Net Assets:			
Invested in capital assets, net of related debt		146,390,346	146,390,346
Restricted for County Roads		10,138,329	10,138,329
Total Net Assets		<u>\$ 156,528,675</u>	<u>\$ 156,528,675</u>

See accompanying notes to the basic financial statements.

SAGINAW COUNTY ROAD COMMISSION  
RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
SEPTEMBER 30, 2007

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Total governmental fund balance	\$ 10,696,115
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	146,390,346
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(557,786)
Net Assets of Governmental Activities	<u>\$ 156,528,675</u>

See accompanying notes to the basic financial statements.

SAGINAW COUNTY ROAD COMMISSION  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT  
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	General Fund	Adjustments	Statement of Activities
Revenue			
Federal	\$ 3,328,285	\$ -	\$ 3,328,285
State	14,011,080	-	14,011,080
County			
City and Villages	100,318	-	100,318
Township	2,438,666	-	2,438,666
Other government	25,118	-	25,118
Interest	400,501	-	400,501
Charge for services	91,092	-	91,092
Miscellaneous	25,817	-	25,817
Gain on disposal	267,371	-	267,371
Private source contributions	1,445,672	-	1,445,672
Total Revenue	<u>22,133,920</u>	<u>-</u>	<u>22,133,920</u>
Expenditures/expense			
Primary construction/capacity improvements	908,985	(908,985)	-
Local construction/capacity improvements	1,467,046	(1,467,046)	-
Primary preservation/structural improvements	2,804,551	(2,804,551)	-
Primary preventive/routine maintenance	3,247,918	-	3,247,918
Local preservation/structural improvements	4,919,788	(4,919,788)	-
Local preventive/routine maintenance	5,916,474	-	5,916,474
Administrative	1,031,286	(96,164)	935,122
Net equipment expense	80,390	-	80,390
Net capital outlay			
Capital outlay	1,135,112	(1,135,112)	-
Depreciation	(1,214,156)	1,214,156	-
Infrastructure Depreciation	-	7,444,880	7,444,880
Drain assessment	231,848	-	231,848
Other Non-road	103,797	-	103,797
Total Expenditures/expense	<u>20,633,039</u>	<u>(2,672,610)</u>	<u>17,960,429</u>
Excess of Revenue Over (Under) Expenditures	1,500,881	(1,500,881)	-
Change in Net Assets	-	4,173,491	4,173,491
Fund Balance/Net Assets - Beginning of Year	9,195,234	143,159,950	152,355,184
Fund Balance/Net Assets - End of Year	<u>\$10,696,115</u>	<u>\$145,832,560</u>	<u>\$ 156,528,675</u>

See accompanying notes to the basic financial statements.



SAGINAW COUNTY ROAD COMMISSION  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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Net Change in fund balance--total governmental funds	\$ 1,500,881
Amounts reported for governmental activities in the statement are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. Equipment retirement is recorded as an expenditure credit in governmental funds, but not recorded as an expense in the statement of activities.	
Capital outlay	11,187,849
Depreciation	(8,611,403)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (Increase in compensated absences)	<u>96,164</u>
Change in net assets of governmental activities	<u>\$ 4,173,491</u>

See accompanying notes to the basic financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

SAGINAW COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS

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**NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Saginaw County Road Commission's financial statements are prepared in accordance with United States generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with GASB pronouncements. The more significant accounting policies established in GAAP and used by the Commission are discussed below.

**A. Reporting Entity**

The Commission, which is established pursuant to County Road Law (MCL 224.1), is governed by a three-member board of County Road Commissioners appointed by the Saginaw County Board of Commissioners. The Commission is a component unit of the Saginaw County and its financial statements are an integral part of the comprehensive annual financial report of the Saginaw County.

Based upon GASB Statement 14, which establishes criteria for determining the reporting entity, these financial statements present the Saginaw County Road Commission, a discretely presented component unit of Saginaw County, and include the Commission's general operations fund.

The Commission's Operating Fund is used to control the expenditures of Michigan Transportation Fund moneys distributed to the County, which are earmarked by law for street and highway purposes. The Board of County Road Commissioners is responsible for the administration of the Road Commission Operating Fund.

**B. Government-Wide Statements and Fund Financial Statements**

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the activities of the Saginaw County Road Commission. There is only one fund reported in the government-wide financial statements.

This government-wide approach is focused more on the sustainability of the Commission as an entity and the change in the Commission's net assets from the current year's activities.

SAGINAW COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS

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**NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**B. Government-Wide Statements and Fund Financial Statements (continued)**

The Operating Fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

**C. Measurement Focus, Basis of Accounting, Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the SCRC considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Michigan transportation funds, grants, permits, township contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

**D. Assets, Liabilities, and Net Assets or Equity**

**Cash, Cash Equivalents and Investments**

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

SAGINAW COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS

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**NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

Inventories

Inventories are priced at cost as determined on the average unit cost method. Inventory items are charged to road construction and maintenance, equipment repairs and operations as used.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expense in both the government-wide and fund financial statements.

E. Capital Assets and Depreciation

Capital assets purchased or acquired are reported at historic cost. Contributed assets are reported at fair market value when received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are capitalized and depreciated according to State guidelines. Depreciation is computed on the sum-of-the-year's-digits methods for road equipment and straight-line method for all other capital assets over the following estimated useful lives:

	<u>Years</u>
Buildings	25 – 50
Road equipment	5 – 8
Other equipment	4 – 20
Infrastructure	5 – 50

GASB 34 requires the Commission to report and depreciate infrastructure assets in its government-wide statements. Infrastructure assets include roads, bridges, traffic signals, etc. Neither these assets nor related depreciation have historically been reported in the financial statements issued before the adoption of GASB 34. The Commission has implemented the general provisions and the retroactive infrastructure reporting requirements in the year of GASB 34 adoption.

F. Budgets and Budgetary Accounting

The Road Commission follows these procedures in establishing the budgetary data reflected in the financial statements:

- A budget is adopted by the Board of County Road Commissioners of Saginaw County prior to October 1 of each year. The budget includes proposed expenditures and a means of financing them.

SAGINAW COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS

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**NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

- The Saginaw County Road Commission approved budget is then submitted to the Saginaw County Board of Commissioners.
- The budget is prepared by the Road Commission on a basis consistent with U.S. generally accepted accounting principles and revised as deemed necessary during the year.
- Budgets are prepared using the modified accrual basis of accounting.
- The budgetary information presented has been amended throughout the year.
- The chief administrative officer is authorized to transfer up to 25% of a line item amount approved in the General Appropriations Act to another line item without prior approval, but subject to approval of the Board of County Road Commissioners at their next regular Board Meeting.

Law requires budget amendments as needed to prevent actual expenditures from exceeding those provided in the budget. Expenditures, which exceeded appropriations, are illustrated in required supplemental information.

**G. Liabilities**

**Accounts Payable**

Accounts payable consist of items from which the Commission benefited during the current fiscal year but have not yet paid.

**Accrued Expenses**

Accrued expenses consist mainly of employee salaries, wages, and related payroll taxes.

**Deferred Revenue**

Deferred revenue consists of prepaid permits.

**Compensated Absences**

Consists of amounts due to employees for sick and vacation time.

**Due to State of Michigan**

Consists of amounts due to the State for the Commission's portion of projects.

SAGINAW COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS

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**NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

Deposits

Performance deposits are amounts paid by contractors and held by the Commission until the projects are completed and inspected.

**NOTE 2--CASH AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Road Commission to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

At year-end, the carrying amount of the commission's deposits was \$7,196,065. The bank balance and county balance was \$7,396,551. Of the bank balance, \$100,000 was covered by federal depository insurance and \$7,296,551 was uninsured and uncollateralized.

All special revenue fund investments are held in the name of the Saginaw County Treasurer; therefore, the insured amount of Road Commission investment is not determinable. Since the County has in excess of the \$100,000 limits, all Road Commission investments are presumed to be uninsured.

A summary of cash and investments follows:

The commission's deposits are categorized below according to level of credit risk:

- Category 1 represents Commission's insured or collateralized deposits with securities held by the Commission or by its agent in the commission's name.
- Category 2 represents the Commission's collateralized deposits with securities held by the pledging financial institution's trust department or agent in the Commission's name.
- Category 3 represents the Commission's uncollateralized deposits including any bank balances that are collateralized with securities held by the pledging financial institution's trust department or agent but not in Commission's name.

SAGINAW COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS

**NOTE 2—CASH AND INVESTMENTS (continued)**

	Category			Bank Balance	Carrying Amount
	1	2	3		
Demand deposits	\$ 100,000	\$ -	\$ 190,024	\$ 290,024	\$ 90,055
Investment held by County	-	-	7,106,527	7,106,527	7,106,660
Cash on hand	-	-	350	-	350
Totals	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 7,296,901</u>	<u>\$ 7,396,551</u>	<u>\$ 7,197,065</u>

It is the policy of the SCRC to have investments made by the County Treasurer based on his/her judgment.

**NOTE 3--CAPITAL ASSETS AND DEPRECIATION**

Changes in capital assets for the year are as follows:

	Balance 10/1/2006	Additions	Retirements	Balance 9/30/2007
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 620,660	\$ -	\$ (2,275)	\$ 618,385
Land and improvements, infrastructure	31,897,482	1,228,257	-	33,125,739
Total Land and Improvements	<u>32,518,142</u>	<u>1,228,257</u>	<u>(2,275)</u>	<u>33,744,124</u>
Other Capital Assets				
Land Improvements	409,075	-	-	409,075
Depletable Assets	62,750	-	-	62,750
Buildings	2,066,831	113,684	-	2,180,515
Road equipment	11,599,743	904,192	(572,321)	11,931,614
Shop equipment	136,914	-	(1,099)	135,815
Engineers equipment	287,556	12,022	(34,525)	265,053
Yard and storage equipment	5,646	-	-	5,646
Office equipment	535,356	105,214	(27,325)	613,245
Infrastructure and improvements	199,837,764	8,872,113	-	208,709,877
Total Other Capital Assets	<u>214,941,635</u>	<u>10,007,225</u>	<u>(635,270)</u>	<u>224,313,590</u>
Total Capital Assets	<u>247,459,777</u>	<u>11,235,482</u>	<u>(637,545)</u>	<u>258,057,714</u>
Accumulated Depreciation				
Land Improvements	375,676	5,406	-	381,082
Depletable Assets	12,393	-	-	12,393
Buildings	1,549,311	52,356	-	1,601,667
Road equipment	8,969,631	1,003,021	(528,097)	9,444,555
Shop equipment	95,920	7,632	(1,099)	102,453
Engineers equipment	126,390	16,795	(33,901)	109,284
Yard and storage equipment	5,646	-	-	5,646
Office equipment	323,810	81,313	(26,815)	378,308
Infrastructure and improvements	92,187,100	7,444,880	-	99,631,980
Total Accumulated Depreciation	<u>103,645,877</u>	<u>8,611,403</u>	<u>(589,912)</u>	<u>111,667,368</u>
Total Net Capital Assets	<u>\$ 143,813,900</u>	<u>\$ 2,624,079</u>	<u>\$ (47,633)</u>	<u>\$ 146,390,346</u>



SAGINAW COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS

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**NOTE 4--LONG-TERM LIABILITIES**

The Road Commission pays 65% of accrued unused sick leave at retirement. The amount due at September 30, 2007 is \$338,933. Additionally, up to twenty days vacation may be carried over to a succeeding year, subject to certain restrictions. Accumulated vacation payable at September 30, 2007 is \$218,853.

Following is a summary of long term liabilities for the year ended September 30, 2007:

	Balance 10/1/2006	Increase	(Reduction)	Balance 9/30/2007
Accrued compensated				
absences	\$ 653,950	\$ 48,610	\$ 144,774	\$ 557,786
Total	<u>\$ 653,950</u>	<u>\$ 48,610</u>	<u>\$ 144,774</u>	<u>\$ 557,786</u>

**NOTE 5--UNEMPLOYMENT COMPENSATION**

The Road Commission is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the Road Commission must reimburse the Michigan Employment Security Commission for all benefits charged against the Road Commission. There were no unemployment expenses for the year.

**NOTE 6--PENSION PLAN**

Plan Description

The Road Commission's defined benefit pension plan provides retirement, disability, and death benefits to plan members and beneficiaries. The Road Commission participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board, Act No. 427 of the Public Acts of 1984, as amended by 1996 PA 220, establishes and amends the benefit provisions of the participants in MERS. The fiscal year for the retirement plan ends December 31. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

SAGINAW COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS

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**NOTE 6--PENSION PLAN (continued)**

Funding Policy

The union members of the plan are required to contribute at a current rate of 4.7% of annual covered payroll. Management is currently contributing 2% of annual covered payroll. The employer contribution requirements are established and may be amended by the Retirement Board of MERS. The employee contribution requirements, if any, are established and may be amended by the Road Commission depending on the MERS contribution program adopted by the Road Commission.

Annual Pension Cost

For the year ended September 30, 2007, the Road Commission's annual pension cost and required contribution was \$212,225. The required contribution was determined as part of the December 31, 2005, actuarial valuation using the entry age actuarial cost method. The Road Commission chose to make voluntary contributions in the amount of \$246,000 for the fiscal year ended September 30, 2007. The actuarial assumptions included (a) an assumed rate of investment return which is used to discount liabilities and project what plan assets will earn, the net long-term investment yield is assumed to be 8%, (b) a mortality table projecting the number of employees who will die before retirement and the duration of benefit payments after retirement, (c) assumed retirement rates projected when employees will retire and commence receiving benefits, (d) a set of withdrawal and disability rates to estimate the number of employees who will leave the work force before retirement, (e) assumed rates of salary increases of 4.5% to project employees compensation in future years and (f) no specific price inflation assumption was needed for this valuation, the 4.5% wage inflation assumption would be consistent with a price inflation of 3% to 4%. The actuarial value of MERS assets was determined on a basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect market value. The December 31, 2006 actuarial valuation reflects the following changes in actuarial methods: prospective adoption of 10 year smoothing, instead of 5 year, for calculating valuation assets, prospective gradual reduction of the amortization period for open divisions from 30 years to 25 years.

Three-year Trend Information

<u>Calendar Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
9/30/2005	\$ 165,246	1.46%	\$ 76,000
9/30/2006	\$ 190,837	1.57%	\$ 110,000
9/30/2007	\$ 212,225	2.16%	\$ 246,000

SAGINAW COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS

**NOTE 6--PENSION PLAN (continued)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age (b)	Unfunded (Over Funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/(c)
12/31/2004	\$ 22,394,199	\$ 21,078,435	\$ (1,315,764)	106%	\$ 3,814,645	0.0%
12/31/2005	\$ 22,940,073	\$ 22,607,641	\$ (332,431)	101%	\$ 3,684,655	0.0%
12/31/2006	\$ 23,789,437	\$ 23,482,439	\$ (306,998)	101%	\$ 3,491,129	0.0%

The Road Commission's actuarial accrued liability is over-funded as of December 31, 2006, the date of the last actuary report.

**NOTE 7--RISK MANAGEMENT**

The Road Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters.

The Road Commission participates in the Michigan County Road Commission Self Insurance Pool (MCRCSIP), a public entity risk pool currently operating as a common risk management program for road commissions in the State of Michigan. The Road Commission pays an annual premium to SIP for its general insurance coverage. The MCRCSIP is self-sustaining through member premiums.

The Road Commission participates in the County Road Association Self Insurance Fund (CRASIF) for its workers' compensation benefits. The CRASIF is also a common risk management program for road commissions in the State of Michigan and is self-sustaining through premiums. In the event of unusually high claims, both the MCRCSIP and the CRASIF have the authority to bill the member road commissions retroactively.

During the year ended September 30, 2007, employees of the Commission were covered by the Saginaw County Road Commission's medical self-insurance plan. The Commission contributed approximately 92% per month per employee of the estimated "premium". The remaining 8% is paid through pretax payroll deduction. Claims were paid by Blue Cross Blue Shield of Michigan acting on behalf of the Commission.

SAGINAW COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS

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**NOTE 7--RISK MANAGEMENT (continued)**

The administrative contract between the Commission and Blue Cross Blue Shield of Michigan is renewable annually. Administrative fees and stop-loss premiums are included in the contractual provisions. The Commission was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Blue Cross Blue Shield of Michigan. Stop loss coverage was in effect for individual and aggregate claims exceeding \$15,000, which is based on a factor determined monthly by Blue Cross Blue Shield of Michigan.

Employees of the Commission are covered by the Saginaw Road Commission's prescription drug plan administered through 4D. The administrative contract between the Commission and 4D is renewable annually. Administrative fees are included in the contractual provisions. The Commission pays a monthly administrative fee and reimburses 4D for claims made by employees.

The Road Commission continues to carry commercial insurance for other risks of loss, including Commission's bonds and accident insurance.

**NOTE 8--LITIGATION**

The Road Commission is a party to various legal proceedings, which normally occur in governmental operations for which the Road Commission carries commercial insurance.

**NOTE 9--POST-EMPLOYMENT BENEFITS**

In addition to the pension benefits described in Note 6, the Saginaw County Road Commission provides post-employment health, dental and life insurance benefits, in accordance with Saginaw County Road Commission's union contract Article 28, to all employees who retire from the Saginaw County Road Commission and qualify for benefits under MERS. Currently, 80 retirees' contracts meet those eligibility requirements. Coverage for non-union retirees is provided upon the discretion of management.

For those employees who terminate without retirement, healthcare benefits are terminated. At that time, the former employee has continuation rights to health insurance coverage under the COBRA law of 1985.

SAGINAW COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS

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**NOTE 9--POST-EMPLOYMENT BENEFITS (continued)**

The Saginaw County Road Commission pays approximately 92% of the cost for Community Blue PPO 2 for retired union employees, dependents and surviving spouses eligible to participate in the group plan. They may elect to buy up to Community Blue PPO 1 at 100% of the cost difference between PPO 2 & 1. They may also elect to buy down to Community Blue PPO 3 and be paid 50% of the difference. All are still required to pay 25% of the increase in premium from one year to the next no matter which PPO plan they choose.

The Saginaw County Road Commission pays 92% of the cost for Community Blue PPO 2 for retired management employees, dependents and surviving spouses eligible to participate in the group plan.

The Saginaw County Road Commission pays 100% of the cost for dental coverage for management and union retirees, dependents and surviving spouses eligible to participate in the group plan. The Saginaw County Road Commission also pays 100% of the cost for life insurance coverage for the employee/retiree only.

Expenditures for post-employment healthcare are recognized as claims or premiums as paid. During the year ended September 30, 2007, the cost of health, dental and life insurance benefits for retirees, dependents and surviving spouses was \$882,759. Retirees made contributions of \$46,438.

**NOTE 10--FEDERAL GRANTS**

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended September 30, 2007, the Federal aid received and expended by the Road Commission was \$3,397,653 for contracted projects and \$0 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT (they are included in MDOT's single audit). Negotiated projects are projects where the Commission administers the grant and either performs the work or contracts it out. The Road Commission would be subject to single audit requirements if they expended \$500,000 or more for negotiated projects.

## **REQUIRED SUPPLEMENTAL INFORMATION**

SAGINAW COUNTY ROAD COMMISSION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Original Budget	Final Budget	Actual	Actual Vs. Final Budget Favorable (Unfavorable)
Revenue				
Federal	\$ 3,972,960	\$ 3,700,800	\$ 3,328,285	\$ (372,515)
State	13,671,380	13,746,558	14,011,080	264,522
County				
City and Villages	1,000	3,000	100,318	97,318
Township	2,000,000	2,000,000	2,438,666	438,666
Other government	52,000	17,000	25,118	8,118
Interest	175,000	320,000	400,501	80,501
Charge for services	100,000	100,000	91,092	(8,908)
Miscellaneous	18,000	30,500	25,817	(4,683)
Gain on disposal	430,000	270,000	267,371	(2,629)
Private source contributions	160,000	1,430,000	1,445,672	15,672
Total Revenue	<u>20,580,340</u>	<u>21,617,858</u>	<u>22,133,920</u>	<u>516,062</u>
Expenditures				
Construction/capacity improvements	1,102,240	2,513,103	2,376,031	137,072
Preservation/structural improvements	9,933,854	9,676,393	7,724,339	1,952,054
Preventive/routine maintenance	9,039,621	8,891,605	9,164,392	(272,787)
Administration	1,003,000	1,067,000	1,031,286	35,714
Capital Outlay-net	5,570,000	(230,000)	(79,044)	(150,956)
Equipment-net	570,805	713,700	80,390	633,310
Drain assessment	245,000	245,000	231,848	13,152
Other	15,000	12,000	103,797	(91,797)
Debt service	550,000	-	-	-
Total Expenditures	<u>28,029,520</u>	<u>22,888,801</u>	<u>20,633,039</u>	<u>2,255,762</u>
Excess of Revenues Over (Under) Expenditures	(7,449,180)	(1,270,943)	1,500,881	2,771,824
Other financing sources				
Proceeds from the sale of bonds	5,500,000	-	-	-
Total other Financing sources	<u>5,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(1,949,180)	(1,270,943)	1,500,881	2,771,824
Fund Balance, Beginning of Year	9,195,234	9,195,234	9,195,234	-
Fund Balance, End of Year	<u>\$ 7,246,054</u>	<u>\$ 7,924,291</u>	<u>\$ 10,696,115</u>	<u>\$ 2,771,824</u>

## **ADDITIONAL SUPPLEMENTAL INFORMATION**



SAGINAW COUNTY ROAD COMMISSION  
ANALYSIS OF REVENUE, EXPENDITURES, AND CHANGES IN  
FUND BALANCE--SPECIAL REVENUE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Appropriated			
	Primary Roads	Local Roads	County Roads	Total
Revenues				
Federal				
Surface transportation program	\$ 672,026	\$ 1,574,874	\$ -	\$ 2,246,900
D funds	463,454	-	-	463,454
Bridge	-	590,350	-	590,350
Other high risk rural	27,581	-	-	27,581
Total Federal	<u>1,163,061</u>	<u>2,165,224</u>	<u>-</u>	<u>3,328,285</u>
State				
Engineering	6,648	3,352	-	10,000
Urban road	1,137,743	575,075	-	1,712,818
Allocation	7,582,316	3,822,814	-	11,405,130
Critical bridge	95,437	110,691	-	206,128
State bonus funds	149,878	389,989	1,071	540,938
Economic development fund	136,066	-	-	136,066
Total State	<u>9,108,088</u>	<u>4,901,921</u>	<u>1,071</u>	<u>14,011,080</u>
County				
City and villages	-	-	100,318	100,318
Township	95,130	2,307,677	35,859	2,438,666
Other government	5,764	-	19,354	25,118
Total County	<u>100,894</u>	<u>2,307,677</u>	<u>155,531</u>	<u>2,564,102</u>
Other				
Interest and rents	166,776	147,690	86,035	400,501
Charges for services	9,109	59,209	22,774	91,092
Miscellaneous	-	-	25,817	25,817
Gain (loss) equipment disposals	50,801	64,169	152,401	267,371
Private source contributions	-	1,445,672	-	1,445,672
Total Other	<u>226,686</u>	<u>1,716,740</u>	<u>287,027</u>	<u>2,230,453</u>
Total Revenues	<u>\$10,598,729</u>	<u>\$ 11,091,562</u>	<u>\$ 443,629</u>	<u>\$ 22,133,920</u>

See independent auditor's report on supplementary information.

SAGINAW COUNTY ROAD COMMISSION  
ANALYSIS OF REVENUE, EXPENDITURES, AND CHANGES IN  
FUND BALANCE--SPECIAL REVENUE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Appropriated		County	Total
	Primary Roads	Local Roads	Roads	
Expenditures				
Construction/capacity improvements	\$ 908,985	\$ 1,467,046	\$ -	\$ 2,376,031
Preservation/structural improvements	2,804,551	4,919,788	-	7,724,339
Preventive/routine maintenance	3,247,918	5,916,474	-	9,164,392
Other				
Administration	372,662	658,624	-	1,031,286
Equipment	1,181,089	2,048,104	147,601	3,376,794
Less: equipment rental	(1,152,969)	(1,999,347)	(144,088)	(3,296,404)
Capital outlay	567,556	-	567,556	1,135,112
Less: depreciation credits and retirements	(230,690)	(291,397)	(692,069)	(1,214,156)
Drain assessment	57,974	173,874	-	231,848
Other Non-road	-	-	103,797	103,797
Total Other	<u>795,622</u>	<u>589,858</u>	<u>(17,203)</u>	<u>1,368,277</u>
Total Expenditures	<u>7,757,076</u>	<u>12,893,166</u>	<u>(17,203)</u>	<u>20,633,039</u>
Excess of revenue over (under) expenditures	2,841,653	(1,801,604)	460,832	1,500,881
Other financing sources (uses)	(2,000,000)	2,000,000	-	-
Optional transfer				
Fund Balance, Beginning	3,829,060	3,390,870	1,975,304	9,195,234
Fund Balance, Ending	<u>\$ 4,670,713</u>	<u>\$ 3,589,266</u>	<u>\$2,436,136</u>	<u>\$ 10,696,115</u>

See independent auditor's report on supplementary information.

SAGINAW COUNTY ROAD COMMISSION  
SCHEDULE OF FEDERAL FINANCIAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

<b>Federal Grantor/Pass Through</b> <u>Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Number</u>	<u>Federal Expenditures</u>
<b>U. S. Department of Transportation Highway Research, Planning and Construction</b> <u>Michigan Department of Transportation</u>	20.205		
		54328A	\$ 24,700
		86724A	165,522
		88408A	559,910
		84101A	1,559,956
		78954A	122,234
		86281A	192,011
		86282A	276,104
		54328A	28,959
		86724A	434,495
		86112A	14,919
		88270A	18,843
Total administered by the State of Michigan			<u>3,397,653</u>
Adjustments to previous year project		84980A	(78,106)
HRR Funds		88272A	8,738
Total Federal Revenue			<u>\$ 3,328,285</u>

Note: Federal financial assistance, received under the highway planning and construction program, in the amount of \$3,397,653 was administered by the State of Michigan. The Road Commission has no responsibilities regarding fiscal or compliance controls over such assistance.

See independent auditor's report on supplementary information.



# Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner  
Giacamo Provenzano  
James R. Schauman  
Heather A. Thomas

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

January 31, 2008

Members of the Board  
of County Road Commissioners  
of Saginaw County  
Saginaw, Michigan

We have audited the financial statements of the governmental activities of Saginaw County Road Commission as of and for the year ended September 30, 2007, which comprise Saginaw County Road Commission's basic financial statements, and have issued our report thereon dated January 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Saginaw County Road Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Saginaw County Road Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Saginaw County Road Commission's internal control over financial reporting.

Members of the Board  
of County Road Commissioners  
of Saginaw County  
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A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Saginaw County Road Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Saginaw County Road Commission's financial statements that is more than inconsequential will not be prevented or detected by Saginaw County Road Commission's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Saginaw County Road Commission's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance**

As part of obtaining reasonable assurance about whether Saginaw County Road Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of management and the Board of County Road Commissioners. However, this report is a matter of public record and its distribution is not limited.

*Gardner, Provenzano, Schauman & Thomas, P.C.*

Certified Public Accountants